



General Assembly

January Session, 2003

***Raised Bill No. 6624***

LCO No. 3973

Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

***AN ACT CONCERNING VARIOUS TAXES ADMINISTERED BY THE  
DEPARTMENT OF REVENUE SERVICES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 12-39t of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (b) In any case under Title 11 of the United States Code,  
5 commencing on or after [October 1, 1999] July 1, 2003, the running of  
6 any period of time specified in this title for the Commissioner of  
7 Revenue Services to make an assessment shall be suspended for the  
8 time period during which [the commissioner is prohibited by reason of  
9 such case from making such assessment] such case is pending under  
10 said Title 11 and for [sixty] one hundred twenty days thereafter.

11 Sec. 2. Section 12-217j of the general statutes is repealed and the  
12 following is substituted in lieu thereof (*Effective from passage*):

13 (a) There shall be allowed as a credit against the tax imposed on any  
14 corporation under this chapter, [(1)] with respect to income years of

15 such corporation commencing on or after [January 1, 1993, and prior  
16 to] January 1, 1994, an amount equal to [ten] twenty per cent of the  
17 amount spent by such corporation directly on research and  
18 experimental expenditures, as defined in Section 174 of the Internal  
19 Revenue Code of 1986, or any subsequent corresponding internal  
20 revenue code of the United States, as from time to time amended,  
21 which are conducted in this state and which exceeds the amount spent  
22 by such corporation during the preceding [taxable] income year of  
23 such corporation for such expenditures. [and (2) with respect to any  
24 taxable year of such corporation commencing on or after January 1,  
25 1994, an amount equal to twenty per cent of the amount spent by such  
26 corporation on such expenditures which exceeds the amount spent by  
27 such corporation during the preceding taxable year of such  
28 corporation for such expenditures. A]

29 (b) (1) With respect to any income year commencing on or after  
30 January 1, 2000, a credit or any portion of a credit that is allowed under  
31 this section [, with respect to any taxable year commencing on or after  
32 January 1, 2000,] but that is not used by a taxpayer because the amount  
33 of the credit exceeds the tax due and owing by the taxpayer shall be  
34 carried forward to each of the successive income years until such  
35 credit, or applicable portion of the credit, is fully taken. In no case shall  
36 a credit, or any portion of a credit, that is not used by a taxpayer be  
37 carried forward for a period of more than fifteen years.

38 (2) (A) With respect to any income year commencing on or after  
39 January 1, 1997, and prior to January 1, 2000, a credit or any portion of  
40 a credit that is allowed under this section but that is not used by a  
41 biotechnology company because the amount of the credit exceeds the  
42 tax due and owing by the taxpayer shall be carried forward to each of  
43 the successive income years until such credit, or applicable portion of  
44 the credit, is fully taken. In no case shall a credit, or any portion of a  
45 credit, that is not used by a biotechnology company be carried forward  
46 for a period of more than fifteen years.

47        (B) For purposes of this subsection, "biotechnology company" means  
48        a company engaged in the business of applying technologies, such as  
49        recombinant DNA techniques, biochemistry, molecular and cellular  
50        biology, genetics and genetic engineering, biological cell fusion  
51        techniques, and new bioprocesses, using living organisms, or parts of  
52        organisms, to produce or modify products, to improve plants or  
53        animals, to develop microorganisms for specific uses, to identify  
54        targets for small molecule pharmaceutical development, or to  
55        transform biological systems into useful processes and products.

56        Sec. 3. Subsection (b) of section 12-285 of the general statutes is  
57        repealed and the following is substituted in lieu thereof (*Effective*  
58        *January 1, 2002*):

59        (b) For the purposes of part I and part II only of this chapter:

60        (1) "Cigarette" means and includes [(A)] any roll for smoking made  
61        wholly or in part of tobacco, irrespective of size or shape and  
62        irrespective of whether the tobacco is flavored, adulterated or mixed  
63        with any other ingredient, where such roll has a wrapper or cover  
64        made of paper or any other material, except where such wrapper is  
65        wholly or in the greater part made of tobacco and such roll weighs  
66        over three pounds per thousand, provided, if any roll for smoking has  
67        a wrapper made of homogenized tobacco or natural leaf tobacco, and  
68        the roll is a cigarette size so that it weighs three pounds or less per  
69        thousand, such roll is a cigarette and subject to the tax imposed by part  
70        I and part II of this chapter; and [(B) each nine one-hundredths of an  
71        ounce of roll-your-own tobacco;]

72        (2) "Unstamped cigarette" means any package of cigarettes to which  
73        the proper amount of Connecticut cigarette tax stamps have not been  
74        affixed. [; and

75        (3) "Roll-your-own tobacco" means any tobacco which, because of its  
76        appearance, type, packaging or labeling, is suitable for use and likely  
77        to be offered to, or purchased by, consumers as tobacco for making

78 cigarettes.]

79 Sec. 4. Section 12-292 of the general statutes is repealed and the  
80 following is substituted in lieu thereof (*Effective July 1, 2003*):

81 Any written advertisement in this state for the sale of untaxed  
82 cigarettes for use and consumption in this state shall contain the  
83 following words [.] in not less than fourteen point reverse type in block  
84 form: "These cigarettes are subject to the payment of the Connecticut  
85 cigarette use tax and the Connecticut use tax and may be subject to  
86 seizure as contraband goods." In the case of any such advertisement  
87 being announced verbally, such announcement shall be immediately  
88 followed by the words above enclosed in quotation marks. Any person  
89 engaged in the business of selling cigarettes, whether or not issued a  
90 license by the commissioner under the provisions of this part, violating  
91 the provisions of this section shall be fined five hundred dollars for  
92 each offense.

93 Sec. 5. Section 12-294 of the general statutes is repealed and the  
94 following is substituted in lieu thereof (*Effective July 1, 2003*):

95 (a) If a distributor or dealer removes his or her business from one  
96 location to another during the period in which the license is in force,  
97 the commissioner shall transfer the license to the new location without  
98 an additional fee.

99 (b) (1) If any distributor liable for any amount due under this  
100 chapter sells out his or her business or stock of goods or quits the  
101 business, such distributor's successors or assigns shall withhold a  
102 sufficient amount of the purchase price to pay the amount due from  
103 the business until the distributor provides to such successor or  
104 assignee a receipt from the commissioner showing that such amount  
105 has been paid or a certificate stating that no amount is due.

106 (2) If any such successor or assignee fails to withhold the purchase  
107 price as required, such successor or assignee shall be personally liable

108 for the payment of the amount required to be withheld by such  
109 successor or assignee to the extent of the purchase price, valued in  
110 money.

111 (c) (1) No later than the sixtieth day after the latest of the dates  
112 specified in subdivision (2) of this subsection, the commissioner shall  
113 either issue the certificate stating that no amount is due or mail notice  
114 of the amount that must be paid as a condition of issuing the  
115 certificate. Such notice shall be mailed to such successor or assignee at  
116 such successor's or assignee's address as it appears on the records of  
117 the commissioner.

118 (2) For purposes of subdivision (1) of this subsection, the latest of  
119 the following dates shall apply: (A) The date the commissioner  
120 receives a written request from the successor or assignee for a  
121 certificate; (B) the date of the sale of the business or stock of goods; or  
122 (C) the date the former owner's records are made available for audit.

123 (d) Failure of the commissioner to mail the notice referred to in  
124 subsection (c) of this section shall release the successor or assignee  
125 from any further obligation to withhold the purchase price as provided  
126 in subsection (b) of this section. The period within which the obligation  
127 of the successor or assignee may be enforced shall commence on the  
128 date the person sells out his or her business or stock of goods or quits  
129 the business or on the date that the assessment against such person  
130 becomes final, whichever event occurs later, and shall end three years  
131 after such date.

132 (e) The certificate provided for in subsection (c) of this section may  
133 be issued after the payment of all amounts due under this chapter,  
134 according to the records of the department as of the date of the  
135 certificate, or after the payment of the amounts is secured to the  
136 satisfaction of the commissioner.

137 (f) The obligation of the successor or assignee shall be enforced by  
138 serving a notice of successor liability on the successor or assignee. The

139 notice shall be served in the manner prescribed under section 12-309  
 140 for service of a notice of assessment, not later than three years after the  
 141 date the commissioner is notified by the successor or assignee of the  
 142 purchase of the business or stock of goods. The successor or assignee  
 143 may protest the assessment in the manner provided in section 12-311.  
 144 Sixty days after the date on which a notice of assessment is mailed, an  
 145 assessment shall become final except for any amount as to which the  
 146 successor or assignee has filed a written protest with the  
 147 commissioner, as provided in section 12-311.

148       Sec. 6. Section 12-330a of the general statutes is repealed and the  
 149 following is substituted in lieu thereof (*Effective January 1, 2002*):

150       As used in this chapter: (1) "Commissioner" means the  
 151 Commissioner of Revenue Services; (2) "tobacco products" means  
 152 cigars, cheroots, stogies, periques, granulated, plug cut, crimp cut,  
 153 ready rubbed and other smoking tobacco, snuff tobacco products,  
 154 cavendish, plug and twist tobacco, fine cut and other chewing  
 155 tobaccos, shorts, refuse scraps, clippings, cuttings and sweepings of  
 156 tobacco and all other kinds and forms of tobacco, prepared in such  
 157 manner as to be suitable for chewing or smoking in a pipe or otherwise  
 158 or for both chewing and smoking, but shall not include any cigarette,  
 159 as defined in section 12-285, as amended by this act; [or any roll-your-  
 160 own tobacco, as defined in section 12-285;] (3) "distributor" means (A)  
 161 any person in this state engaged in the business of manufacturing  
 162 tobacco products, (B) any person who purchases tobacco products at  
 163 wholesale from manufacturers or other distributors for sale, or (C) any  
 164 person who imports into this state tobacco products, at least seventy-  
 165 five per cent of which are to be sold; (4) "unclassified importer" means  
 166 any person, other than a distributor, who imports, receives or acquires  
 167 tobacco products from outside this state for use or consumption in this  
 168 state; (5) "sale" or "sell" includes or applies to gifts, exchanges and  
 169 barter; (6) "wholesale sales price" means, in the case of a manufacturer  
 170 of tobacco products, the price set for such products or, if no price has  
 171 been set, the wholesale value of such products, and, in the case of a

172 distributor who is not a manufacturer of tobacco products, the price at  
 173 which the distributor purchased such products, and, in the case of an  
 174 unclassified importer of tobacco products, the price at which the  
 175 unclassified importer purchased such products; and (7) "snuff tobacco  
 176 products" means only those snuff tobacco products that have  
 177 imprinted on the packages the designation "snuff" or "snuff flour", or  
 178 the federal tax designation "Tax Class M", or both.

179 Sec. 7. Subdivision (5) of section 12-410 of the general statutes is  
 180 repealed and the following is substituted in lieu thereof (*Effective*  
 181 *October 1, 2003, and applicable to sales occurring on or after said date*):

182 (5) (A) For the purpose of the proper administration of this chapter  
 183 and to prevent evasion of the sales tax, a sale of any service described  
 184 in subparagraph (I) of subdivision (2) of subsection (a) of section 12-  
 185 407 shall be considered a sale for resale only if the service to be resold  
 186 is an integral, inseparable component part of a service described in  
 187 said subparagraph (I) which is to be subsequently sold by the  
 188 purchaser to an ultimate consumer. The purchaser of the service for  
 189 resale shall maintain, in such form as the commissioner requires,  
 190 records which substantiate: [(A)] (i) From whom the service was  
 191 purchased and to whom the service was sold, [(B)] (ii) the purchase  
 192 price of the service, and [(C)] (iii) the nature of the service to  
 193 demonstrate that the services were an integral, inseparable component  
 194 part of a service described in subparagraph (I) of subdivision (2) of  
 195 subsection (a) of section 12-407 which was subsequently sold to a  
 196 consumer.

197 (B) Notwithstanding the provisions of subparagraph (A) of this  
 198 subdivision, no sale of a service described in subparagraph (I) of  
 199 subdivision (2) of subsection (a) of section 12-407 to a purchaser shall  
 200 be considered a sale for resale if the purchaser's sole activity is the  
 201 purchase of such services or of tangible personal property, or both, to  
 202 be resold to a business entity or entities affiliated with the purchaser in  
 203 the manner described in subparagraph (A) of subdivision (62) of

204 subsection (a) of section 12-407.

205 Sec. 8. Subdivision (14) of section 12-411 of the general statutes is  
206 repealed and the following is substituted in lieu thereof (*Effective*  
207 *October 1, 2003, and applicable to purchases occurring on or after said date*):

208 (14) (A) For the purpose of the proper administration of this chapter  
209 and to prevent evasion of the use tax, a purchase of any service  
210 described in subparagraph (I) of subdivision (2) of subsection (a) of  
211 section 12-407 shall be considered a [sale] purchase for resale only if  
212 the service to be resold is an integral, inseparable component part of a  
213 service described in said subparagraph (I) which is to be subsequently  
214 sold by the purchaser to an ultimate consumer. The purchaser of the  
215 service for resale shall maintain, in such form as the commissioner  
216 requires, records which substantiate: [(A)] (i) From whom the service  
217 was purchased and to whom the service was sold; [(B)] (ii) the  
218 purchase price of the service; and [(C)] (iii) the nature of the service to  
219 demonstrate that the service was an integral, inseparable component  
220 part of a service described in subparagraph (I) of subdivision (2) of  
221 subsection (a) of section 12-407 which was subsequently sold to a  
222 consumer.

223 (B) Notwithstanding the provisions of subparagraph (A) of this  
224 subdivision, no purchase of a service described in subparagraph (I) of  
225 subdivision (2) of subsection (a) of section 12-407 by a purchaser shall  
226 be considered a purchase for resale if the purchaser's sole activity is  
227 the purchase of such services or of tangible personal property, or both,  
228 to be resold to a business entity or entities affiliated with the purchaser  
229 in the manner described in subparagraph (A) of subdivision (62) of  
230 subsection (a) of section 12-407.

231 Sec. 9. Subdivision (9) of section 12-412 of the general statutes is  
232 repealed and the following is substituted in lieu thereof (*Effective*  
233 *October 1, 2003, and applicable to sales occurring on or after said date*):

234 (9) Sales of (A) food products, meals, candy, confectionery and



235 beverages, except alcoholic beverages, in a student cafeteria, dining-  
 236 hall, dormitory, fraternity or sorority maintained in a private, public or  
 237 parochial school, college or university, to members of such institutions  
 238 or organizations, including all sales of such items to such members at  
 239 such institutions or organizations using prepaid meal plan cards or  
 240 arrangements; and [sales of] (B) food products, meals, candy,  
 241 confectionery and beverages to patients, residents or care recipients in  
 242 hospitals, residential care homes, assisted living facilities, senior  
 243 centers, day care centers, convalescent homes, nursing homes and rest  
 244 homes, and sales of food preparation or food services or management  
 245 of such services to any such hospital, residential care home, assisted  
 246 living facility, senior center, day care center, convalescent home,  
 247 nursing home or rest home.

248 Sec. 10. Subdivision (40) of section 12-412 of the general statutes is  
 249 repealed and the following is substituted in lieu thereof (*Effective*  
 250 *October 1, 2003, and applicable to sales occurring on or after said date*):

251 (40) (A) Sales of and the storage, use or other consumption of any  
 252 vessel [, as defined in section 15-127, used] exclusively for use in  
 253 commercial fishing and any machinery or equipment exclusively for  
 254 use on a commercial fishing vessel by a fisherman engaged in  
 255 commercial fishing as a trade or business and to whom the  
 256 Department of Revenue Services has issued a fisherman tax exemption  
 257 permit, provided [in the purchaser's taxable year ending immediately  
 258 preceding the taxable year during which any such sale, storage, use or  
 259 other consumption occurred] (i) for the immediately preceding taxable  
 260 year, or (ii) on average, for the two immediately preceding taxable  
 261 years, not less than fifty per cent of the gross income of the purchaser,  
 262 as reported for federal income tax purposes, shall have been derived  
 263 from commercial fishing, subject to proof satisfactory to the  
 264 Commissioner of Revenue Services.

265 [(B) (i) Sales of and the storage, use or other consumption of any  
 266 vessel used exclusively in commercial fishing and any machinery or

267 equipment for use on a commercial fishing vessel, where in the  
268 purchaser's taxable year ending immediately preceding the taxable  
269 year during which any such sale, storage, use or other consumption  
270 occurred, less than fifty per cent of gross income of the purchaser, as  
271 reported for federal income tax purposes, shall have been derived from  
272 commercial fishing, provided such purchaser has satisfied the  
273 commissioner that the purchaser intends to carry on commercial  
274 fishing as a trade or business for at least two years after the date of  
275 such purchase.]

276 (B) The commissioner shall adopt regulations, in accordance with  
277 the provisions of chapter 54, requiring periodic registration for  
278 purposes of the issuance of fisherman tax exemption permits,  
279 including (i) a procedure related to the application for such permit,  
280 which application shall include a declaration, in a form prescribed by  
281 the commissioner and bearing notice to the effect that false statements  
282 made in such declaration are punishable, to be signed by the applicant,  
283 and (ii) a form of notice concerning the penalty for misuse of such  
284 permit.

285 (C) (i) The Commissioner of Revenue Services may issue a  
286 fisherman tax exemption permit to an applicant, provided such  
287 applicant has satisfied the commissioner that the applicant intends to  
288 carry on commercial fishing as a trade or business for at least two  
289 years, notwithstanding the fact that the applicant was not engaged in  
290 commercial fishing as a trade or business in the immediately preceding  
291 taxable year or, if the applicant was engaged in commercial fishing as a  
292 trade or business in such immediately preceding taxable year,  
293 notwithstanding the fact that, for such immediately preceding taxable  
294 year, or, on average, for the two immediately preceding taxable years,  
295 less than fifty per cent of the gross income of the applicant, as reported  
296 for federal income tax purposes, was derived from commercial fishing.

297 (ii) Such [purchaser] applicant shall be liable for the tax otherwise  
298 imposed, during the period commencing upon the [purchase of such

299 vessel, machinery or equipment] issuance of the permit and ending  
300 two years after the date of [such purchase] issuance of the permit, if  
301 commercial fishing is not carried on as a trade or business by such  
302 applicant during such entire period.

303 (iii) Such [purchaser] applicant shall also be liable for the tax  
304 otherwise imposed, during the period commencing upon the  
305 [purchase of such vessel, machinery or equipment] issuance of the  
306 permit and ending two years after the date of [such purchase] issuance  
307 of the permit, if less than fifty per cent of the gross income of such  
308 [purchaser] applicant, as reported for federal income tax purposes,  
309 shall have been derived from such commercial fishing for the  
310 immediately preceding taxable year, [immediately preceding the  
311 taxable year during which such two-year period ends or if,] or, on  
312 average, [less than fifty per cent of the gross income of such purchaser,  
313 as reported for federal income tax purposes, shall have been derived  
314 from commercial fishing for the two taxable years immediately  
315 preceding the taxable year during which such two-year period ends]  
316 for the two immediately preceding taxable years.

317 (iv) Any [purchaser] applicant liable for tax under clause (ii) or (iii)  
318 of this subparagraph shall not be eligible to [make another purchase]  
319 be issued another permit under clause (i) of this subparagraph.

320 (D) The Commissioner of Revenue Services may issue a fisherman  
321 tax exemption permit to an applicant, notwithstanding the fact that, in  
322 the applicant's immediately preceding taxable year, less than fifty per  
323 cent of the gross income of the applicant, as reported for federal  
324 income tax purposes, was derived from commercial fishing, provided  
325 (i) such applicant purchased, during the applicant's current or  
326 immediately preceding taxable year, a commercial fishing trade or  
327 business from a seller who was issued a fisherman tax exemption  
328 permit by such department at the time of such purchase, and (ii) such  
329 commercial fishing shall be carried on as a trade or business by such  
330 applicant during the period commencing upon the purchase and

331 ending two years after the date of purchase. Such applicant shall be  
332 liable for the tax otherwise imposed, during the period commencing  
333 upon such purchase and ending two years after the date of purchase, if  
334 such applicant does not carry on such commercial fishing as a trade or  
335 business during the period commencing upon such purchase and  
336 ending two years after the date of purchase.

337 [(C)] (E) For purposes of this [subsection, commercial fishing  
338 vessels] subdivision, "commercial fishing vessel" shall include any  
339 vessel with a certificate of documentation issued by the United States  
340 Coast Guard for coastwise fishery.

341 Sec. 11. Subdivision (89) of section 12-412 of the general statutes is  
342 repealed and the following is substituted in lieu thereof (*Effective from*  
343 *passage*):

344 (89) Sales of and the storage, use or other consumption of  
345 machinery, equipment, tools, materials, supplies and fuel used directly  
346 in the biotechnology industry. For the purposes of this [subsection]  
347 subdivision, "biotechnology" means the application of technologies,  
348 such as recombinant DNA techniques, biochemistry, molecular and  
349 cellular biology, genetics and genetic engineering, biological cell fusion  
350 techniques, and new bioprocesses, using living organisms, or parts of  
351 organisms, to produce or modify products, to improve plants or  
352 animals, [to develop microorganisms for specific uses,] to identify  
353 targets for small molecule pharmaceutical development, to transform  
354 biological systems into useful processes and products or to develop  
355 microorganisms for specific uses.

356 Sec. 12. Subsection (b) of section 12-431 of the general statutes is  
357 repealed and the following is substituted in lieu thereof (*Effective*  
358 *October 1, 2003, and applicable to sales occurring on or after said date*):

359 (b) In order to determine the total purchase price of a motor vehicle  
360 or a vessel for the purposes of this section, the commissioner shall, by  
361 regulation, adopt by reference a book of valuations, for various

362 purposes, of motor vehicles and a book of valuations, for various  
 363 purposes, of vessels, each published by a nationally recognized  
 364 organization. The commissioner shall, by regulation, determine which  
 365 of the various valuations of motor vehicles and which of the various  
 366 valuations of vessels contained in any such book is appropriate for the  
 367 purposes of this section and such value shall, regardless of the value  
 368 placed on the motor vehicle or the vessel at the time of the purchase by  
 369 the parties to such transaction, be presumed to be the total purchase  
 370 price of such motor vehicle or such vessel for the purposes of this  
 371 section unless the purchaser can prove to the satisfaction of the  
 372 commissioner that such value is incorrect.

373 Sec. 13. Subsection (a) of section 12-459 of the general statutes is  
 374 repealed and the following is substituted in lieu thereof (*Effective from*  
 375 *passage*):

376 (a) The payment of the tax provided for by section 12-458 shall be  
 377 subject to refund as provided herein when such fuel has been sold for  
 378 use of any of the following: (1) Any person, other than one engaged in  
 379 the business of farming, when such fuel is used other than in motor  
 380 vehicles licensed or required to be licensed to operate upon the public  
 381 highways of this state, except that no tax paid on fuel which is taken  
 382 out of this state in a fuel tank connected with the engine of a motor  
 383 vehicle and which is consumed without this state shall be refunded; (2)  
 384 any person engaged in the business of farming, when such fuel is used  
 385 other than in motor vehicles licensed or required to be licensed to  
 386 operate upon the public highways of this state or such fuel is used in  
 387 motor vehicles registered exclusively for farming purposes, except that  
 388 no tax paid on fuel which is taken out of this state in a fuel tank  
 389 connected with the engine of a motor vehicle and which is consumed  
 390 without this state shall be refunded; (3) the United States; (4) a  
 391 Connecticut motor bus company, as defined in subsection (e) of section  
 392 12-455a, engaged in the business of carrying passengers for hire in this  
 393 state in common carrier motor vehicles, or any person, association or  
 394 corporation engaged in the business of operating taxicabs in this state

395 pursuant to a certificate under chapter 244a, when such fuel is used in  
396 such common carrier motor vehicle or taxicab on roads in this state,  
397 except that with respect to such fuel used in a taxicab only fifty per  
398 cent of the tax paid on any purchase of fuel applicable to mileage on  
399 any roads in this state shall be refunded; (5) any person, association or  
400 corporation engaged in the business of operating a motor vehicle in  
401 livery service pursuant to a permit issued under chapter 244b, or a  
402 motor bus over highways within this state and between points within  
403 and without this state pursuant to a permit issued under chapter 244,  
404 when such fuel is used in such motor bus on roads in this state for the  
405 exclusive purpose of transporting passengers for hire to or from  
406 airport facilities, except that with respect to any such motor vehicle in  
407 livery service pursuant to a permit issued under chapter 244b only fifty  
408 per cent of the tax paid on any purchase of fuel applicable to mileage  
409 on any roads in this state shall be refunded; (6) this state or a  
410 municipality of this state, when such fuel is used in vehicles owned  
411 and operated, or leased and operated, by this state or municipality for  
412 governmental purposes; (7) any school bus, as defined in section 14-  
413 275; (8) a hospital, when such fuel is used in an ambulance owned by  
414 such hospital; (9) a nonprofit civic organization approved by the  
415 commissioner, when such fuel is used in an ambulance owned by such  
416 organization; (10) a transit district formed under chapter 103a or any  
417 special act, when such fuel is used in vehicles owned and operated, or  
418 leased and operated, by such transit district for the purposes of such  
419 transit district; (11) a corporation or an employee of a corporation or of  
420 the United States, this state or a municipality of this state, when such  
421 fuel is used in a high-occupancy commuter vehicle on roads in this  
422 state, which vehicle is owned or leased by such corporation or such  
423 employee, [which] seats at least ten but not more than fifteen  
424 passengers and [which] has a minimum average daily passenger usage  
425 of nine persons to and from work, for the purpose of transporting such  
426 passengers to and from work daily; (12) a person, corporation or  
427 association operating a motor vehicle in livery service which is  
428 registered in accordance with the provisions of section 13b-83, when

429 such fuel is used in such motor vehicle in livery service on roads in this  
430 state; and (13) a federally funded nutrition program approved by the  
431 commissioner, when such fuel is used in a delivery vehicle [that is  
432 used exclusively for the delivery of] on roads in this state for the  
433 exclusive purpose of delivering meals to senior citizens.

434 Sec. 14. Subsection (a) of section 12-541 of the general statutes is  
435 repealed and the following is substituted in lieu thereof (*Effective from*  
436 *passage*):

437 (a) There is hereby imposed a tax of ten per cent of the admission  
438 charge to any place of amusement, entertainment or recreation, except  
439 that no tax shall be imposed with respect to any admission charge (1)  
440 when the admission charge is less than one dollar or, in the case of any  
441 motion picture show, when the admission charge is not more than five  
442 dollars, (2) when a daily admission charge is imposed which entitles  
443 the patron to participate in an athletic or sporting activity, (3) to any  
444 event, other than events held at the stadium facility, as defined in  
445 section 32-651, all of the proceeds from which inure exclusively to an  
446 entity which is exempt from federal income tax under the Internal  
447 Revenue Code, provided such entity actively engages in and assumes  
448 the financial risk associated with the presentation of such event, (4) to  
449 any event, other than events held at the stadium facility, as defined in  
450 section 32-651, which in the opinion of the commissioner, is conducted  
451 primarily to raise funds for an entity which is exempt from federal  
452 income tax under the Internal Revenue Code, provided the  
453 commissioner is satisfied that the net profit which inures to such entity  
454 from such event will exceed the amount of the admissions tax which,  
455 but for this subdivision, would be imposed upon the person making  
456 such charge to such event, (5) to (A) any event at the Hartford Civic  
457 Center, the New Haven Coliseum, New Britain Beehive Stadium, New  
458 Britain Stadium, effective for events occurring on or after the date such  
459 stadium was placed in service, New Britain Veterans Memorial  
460 Stadium, Bridgeport Harbor Yard Stadium, Stafford Motor Speedway,  
461 Lime Rock Park, Thompson Speedway and Waterford Speedbowl,

462 facilities owned or managed by the Tennis Foundation of Connecticut  
 463 or any successor organization, the William A. O'Neill Convocation  
 464 Center or the Connecticut Exposition Center, and (B) games of the  
 465 New Britain Rock Cats, New Haven Ravens or the Waterbury Spirit,  
 466 (6) other than for events held at the stadium facility, as defined in  
 467 section 32-651, paid by centers of service for elderly persons, as  
 468 described in subdivision (d) of section 17b-425, (7) to any production  
 469 featuring live performances by actors or musicians presented at  
 470 Gateway's Candlewood Playhouse, Ocean Beach Park or any nonprofit  
 471 theater or playhouse in the state, provided such theater or playhouse  
 472 possesses evidence confirming exemption from federal tax under  
 473 Section 501 of the Internal Revenue Code, (8) to any carnival or  
 474 amusement ride, or (9) if the admission charge is for admission to a  
 475 place that would have been subject to tax under the provisions of  
 476 section 12-542 of the general statutes, revision of 1958, revised to  
 477 January 1, 1999. On and after July 1, 2000, the tax imposed under this  
 478 section on any motion picture show shall be eight per cent of the  
 479 admission charge and, on and after July 1, 2001, the tax imposed on  
 480 any such motion picture show shall be six per cent of such charge.

481 Sec. 15. Section 12-587 of the general statutes is amended by adding  
 482 subsection (f) as follows (*Effective July 1, 2003*):

483 (NEW) (f) Notwithstanding the provisions of section 12-15 or any  
 484 other section of the general statutes, the Commissioner of Revenue  
 485 Services may make public the name and address of each company  
 486 which is engaged in the refining or distribution, or both, of petroleum  
 487 products, which distributes such products in this state, and which is  
 488 registered with the Department of Revenue Services for purposes of  
 489 the tax imposed under subsection (b) of this section on gross earnings  
 490 derived from the first sale of petroleum products within this state.

491 Sec. 16. Section 12-587a of the general statutes is repealed and the  
 492 following is substituted in lieu thereof (*Effective from passage*):

493 (a) (1) Any company, as such term is used in section 12-587, liable



494 for the tax imposed under subsection (b) of said section 12-587 on  
 495 gross earnings from the first sale of petroleum products within this  
 496 state, which products the purchaser thereof subsequently sells for  
 497 exportation and sale [of] or use outside this state, shall be allowed a  
 498 credit against any tax for which such company is liable in accordance  
 499 with subsection (b) of said section 12-587, in the amount of tax paid to  
 500 the state with respect to the sale of such products, provided [(1)] (A)  
 501 such purchaser has submitted certification to such company, in such  
 502 form as prescribed by the Commissioner of Revenue Services, that  
 503 such products were sold or used outside this state, [(2)] (B) such  
 504 certification and any additional information related to such sale or use  
 505 by such purchaser, which said commissioner may request, have been  
 506 submitted to said commissioner, and [(3)] (C) such company makes a  
 507 payment to such purchaser, related to such products sold or used  
 508 outside this state, in the amount equal to the tax imposed under said  
 509 section 12-587 on gross earnings from the first sale to such purchaser  
 510 within the state.

511 (2) In addition, such company shall be allowed such credit when  
 512 there has been any sale of such products subsequent to the sale by such  
 513 company but prior to sale or use outside this state, provided [(1)] (A)  
 514 each purchaser receives payment, related to such products sold or  
 515 used outside this state, equal to the tax imposed under said section 12-  
 516 587, on gross earnings from the first sale of such products within this  
 517 state, and [(2)] (B) the purchaser selling or using such products outside  
 518 this state complies with the requirements in this section related to a  
 519 purchaser of such products from the company liable for such tax.

520 (b) Any company liable for the tax imposed under subsection (c) of  
 521 section 12-587 on the consideration given or contracted to be given for  
 522 petroleum products which it imports or causes to be imported  
 523 [petroleum products] into this state for [its own] sale, use or  
 524 consumption in this state, shall be allowed a credit against tax under  
 525 subsection (c) of section 12-587 [on the consideration given or  
 526 contracted to be given for all deliveries] if the company subsequently

527 exports such petroleum products for sale or use outside this state, in  
528 the amount of tax paid to the state with respect to the sale, use or  
529 consumption in this state of such products.

530 Sec. 17. Subparagraph (B) of subdivision (20) of subsection (a) of  
531 section 12-701 of the general statutes is repealed and the following is  
532 substituted in lieu thereof (*Effective for taxable years commencing on or*  
533 *after January 1, 2003*):

534 (B) There shall be subtracted therefrom (i) to the extent properly  
535 includable in gross income for federal income tax purposes, any  
536 income with respect to which taxation by any state is prohibited by  
537 federal law, (ii) to the extent allowable under section 12-718, exempt  
538 dividends paid by a regulated investment company, (iii) the amount of  
539 any refund or credit for overpayment of income taxes imposed by this  
540 state, or any other state of the United States or a political subdivision  
541 thereof, or the District of Columbia, to the extent properly includable  
542 in gross income for federal income tax purposes, (iv) to the extent  
543 properly includable in gross income for federal income tax purposes  
544 and not otherwise subtracted from federal adjusted gross income  
545 pursuant to clause (x) of this subparagraph in computing Connecticut  
546 adjusted gross income, any tier 1 railroad retirement benefits, (v) [with  
547 respect to any natural person who is a shareholder of an S corporation  
548 which is carrying on, or which has the right to carry on, business in  
549 this state, as said term is used in section 12-214, the amount of such  
550 shareholder's pro rata share of such corporation's nonseparately  
551 computed items, as defined in Section 1366 of the Internal Revenue  
552 Code, that is subject to tax under chapter 208, in accordance with  
553 subsection (c) of section 12-217, multiplied by such corporation's  
554 apportionment fraction, if any, as determined in accordance with  
555 section 12-218] to the extent any additional allowance for depreciation  
556 under Section 168(k) of the Internal Revenue Code, as provided by  
557 Section 101 of the Job Creation and Worker Assistance Act of 2002, for  
558 property placed in service after December 31, 2001, but prior to  
559 September 10, 2004, was added to federal adjusted gross income

560 pursuant to subparagraph (A) (ix) of this subdivision in computing  
561 Connecticut adjusted gross income for a taxable year ending after  
562 December 31, 2001, twenty-five per cent of such additional allowance  
563 for depreciation in each of the four succeeding taxable years, (vi) to the  
564 extent properly includable in gross income for federal income tax  
565 purposes, any interest income from obligations issued by or on behalf  
566 of the state of Connecticut, any political subdivision thereof, or public  
567 instrumentality, state or local authority, district or similar public entity  
568 created under the laws of the state of Connecticut, (vii) to the extent  
569 properly includable in determining the net gain or loss from the sale or  
570 other disposition of capital assets for federal income tax purposes, any  
571 gain from the sale or exchange of obligations issued by or on behalf of  
572 the state of Connecticut, any political subdivision thereof, or public  
573 instrumentality, state or local authority, district or similar public entity  
574 created under the laws of the state of Connecticut, in the income year  
575 such gain was recognized, (viii) any interest on indebtedness incurred  
576 or continued to purchase or carry obligations or securities the interest  
577 on which is subject to tax under this chapter but exempt from federal  
578 income tax, to the extent that such interest on indebtedness is not  
579 deductible in determining federal adjusted gross income and is  
580 attributable to a trade or business carried on by such individual, (ix)  
581 ordinary and necessary expenses paid or incurred during the taxable  
582 year for the production or collection of income which is subject to  
583 taxation under this chapter but exempt from federal income tax, or the  
584 management, conservation or maintenance of property held for the  
585 production of such income, and the amortizable bond premium for the  
586 taxable year on any bond the interest on which is subject to tax under  
587 this chapter but exempt from federal income tax, to the extent that  
588 such expenses and premiums are not deductible in determining federal  
589 adjusted gross income and are attributable to a trade or business  
590 carried on by such individual, (x) (I) for a person who files a return  
591 under the federal income tax as an unmarried individual whose  
592 federal adjusted gross income for such taxable year is less than fifty  
593 thousand dollars, or as a married individual filing separately whose

594 federal adjusted gross income for such taxable year is less than fifty  
595 thousand dollars, or for a husband and wife who file a return under  
596 the federal income tax as married individuals filing jointly whose  
597 federal adjusted gross income for such taxable year is less than sixty  
598 thousand dollars or a person who files a return under the federal  
599 income tax as a head of household whose federal adjusted gross  
600 income for such taxable year is less than sixty thousand dollars, an  
601 amount equal to the Social Security benefits includable for federal  
602 income tax purposes; and (II) for a person who files a return under the  
603 federal income tax as an unmarried individual whose federal adjusted  
604 gross income for such taxable year is fifty thousand dollars or more, or  
605 as a married individual filing separately whose federal adjusted gross  
606 income for such taxable year is fifty thousand dollars or more, or for a  
607 husband and wife who file a return under the federal income tax as  
608 married individuals filing jointly whose federal adjusted gross income  
609 from such taxable year is sixty thousand dollars or more or for a  
610 person who files a return under the federal income tax as a head of  
611 household whose federal adjusted gross income for such taxable year  
612 is sixty thousand dollars or more, an amount equal to the difference  
613 between the amount of Social Security benefits includable for federal  
614 income tax purposes and the lesser of twenty-five per cent of the Social  
615 Security benefits received during the taxable year, or twenty-five per  
616 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
617 Code, (xi) to the extent properly includable in gross income for federal  
618 income tax purposes, any amount rebated to a taxpayer pursuant to  
619 section 12-746, (xii) to the extent properly includable in the gross  
620 income for federal income tax purposes of a designated beneficiary,  
621 any distribution to such beneficiary from any qualified state tuition  
622 program, as defined in Section 529(b) of the Internal Revenue Code,  
623 established and maintained by this state or any official, agency or  
624 instrumentality of the state, (xiii) to the extent properly includable in  
625 gross income for federal income tax purposes, the amount of any  
626 Holocaust victims' settlement payment received in the taxable year by  
627 a Holocaust victim, and (xiv) to the extent properly includable in gross

628 income for federal income tax purposes of an account holder, as  
629 defined in section 31-51ww, interest earned on funds deposited in the  
630 individual development account, as defined in section 31-51ww, of  
631 such account holder.

632 Sec. 18. Subsection (c) of section 12-724 of the general statutes is  
633 repealed and the following is substituted in lieu thereof (*Effective from*  
634 *passage*):

635 (c) (1) (A) In the case of a specified terrorist victim, the tax imposed  
636 by this chapter shall not apply with respect to the taxable year in  
637 which falls the date of his or her death, and no returns shall be  
638 required on behalf of such individual or his or her estate for such year.  
639 The tax for any such taxable year that is unpaid at the date of death,  
640 including interest, additions to tax and penalties, if any, shall not be  
641 assessed and, if assessed, the assessment shall be abated and, if  
642 collected, shall be refunded to the legal representative of such estate.

643 [(2) Subdivision] (B) Subparagraph (A) of subdivision (1) of this  
644 subsection shall not apply to the amount of any tax imposed by this  
645 chapter that would be computed by only taking into account the items  
646 of income, gain or other amounts attributable to [(A)] (i) deferred  
647 compensation that would have been payable after death if the  
648 individual had died other than as a specified terrorist victim, or [(B)]  
649 (ii) amounts payable in the taxable year that would not have been  
650 payable in such taxable year but for an action taken after September 11,  
651 2001.

652 [(3)] (C) This [subsection] subdivision shall apply to taxable years  
653 commencing on or after January 1, 2001, but prior to January 1, 2002.

654 (2) (A) In the case of a specified terrorist victim who, pursuant to  
655 section 12-704, was allowed a credit against the tax otherwise due  
656 under this chapter for an income tax imposed on such individual for a  
657 taxable year commencing on or after January 1, 2000, but prior to  
658 January 1, 2001, by another state of the United States or a political

659 subdivision thereof or the District of Columbia on income which was  
 660 derived from sources therein and which was also subject to tax under  
 661 this chapter, and whose tax liability to such other jurisdiction is abated,  
 662 credited or refunded because such individual died as a specified  
 663 terrorist victim, the additional tax imposed by this chapter attributable  
 664 to the difference between the amount of tax of such other jurisdiction  
 665 that the individual is finally required to pay and the amount of tax of  
 666 such other jurisdiction used to determine the credit allowed to such  
 667 individual under section 12-704 shall not apply.

668 (B) This subdivision shall apply to taxable years commencing on or  
 669 after January 1, 2000, but prior to January 1, 2001.

670 Sec. 19. Subsection (h) of section 38a-866 of the general statutes is  
 671 repealed and the following is substituted in lieu thereof (*Effective for*  
 672 *calendar years commencing on or after January 1, 2001*):

673 (h) (1) Each insurer paying an assessment under sections 38a-858 to  
 674 38a-875, inclusive, may offset one hundred per cent of the amount of  
 675 such assessment against its premium tax liability to this state under  
 676 chapter 207. Such offset shall be taken over a period of the five  
 677 successive tax years following the year of payment of the assessment,  
 678 at the rate of twenty per cent per year of the assessment paid to the  
 679 association. Each insurer to which has been refunded by the  
 680 association, pursuant to subsection (f) of this section, all or a portion of  
 681 an assessment previously paid to the association by the insurer shall be  
 682 required to pay to the Department of Revenue Services an amount  
 683 equal to the total amount that has been claimed as an offset against the  
 684 premiums tax liability on the premiums tax return or returns, as the  
 685 case may be, filed by such insurer and that is attributable to such  
 686 refunded assessment, provided the amount required to be paid to said  
 687 department shall not exceed the amount of the refunded assessment. If  
 688 the amount of the refunded assessment exceeds the total amount that  
 689 has been claimed as an offset against the premiums tax liability on the  
 690 premiums tax return or returns filed by such insurer and that is

691 attributable to such refunded assessment, such excess may not be  
692 claimed as an offset against the premiums tax liability on a premiums  
693 tax return or returns filed by such insurer or, if the offset has been  
694 transferred to another person pursuant to subdivision (2) of this  
695 subsection, by such other person. For purposes of [the] this  
696 subdivision, if the offset has been transferred to another person  
697 pursuant to subdivision (2) of this subsection, the total amount that has  
698 been claimed as an offset against the premiums tax liability on the  
699 premiums tax return or returns filed by such insurer includes the total  
700 amount that has been claimed as an offset against the premiums tax  
701 liability on the premiums tax return or returns filed by such other  
702 person. The association shall promptly notify the Commissioner of  
703 Revenue Services of the name and address of the insurers to which  
704 such refunds have been made, the amount of such refunds, and the  
705 date on which such refunds were mailed to each such insurer. If the  
706 amount that an insurer is required to pay to the Department of  
707 Revenue Services has not been so paid on or before the forty-fifth day  
708 after the date of mailing of such refunds, the insurer shall be liable for  
709 interest on such amount at the rate of one per cent per month, or  
710 [portion] fraction thereof, from such forty-fifth day to the date of  
711 payment.

712 (2) An insurer, in this subdivision called "the transferor", may  
713 transfer any offset provided under subdivision (1) of this subsection to  
714 an affiliate, as defined in section 38a-1, of the transferor. Any such  
715 transfer of the offset by the transferor, and any subsequent transfer or  
716 transfers of the same offset, shall not affect the obligation of the  
717 transferor to pay to the Department of Revenue Services any sums  
718 which are acquired by refund from the association pursuant to  
719 subsection (f) of this section and which are required to be paid to the  
720 Department of Revenue Services pursuant to subdivision (1) of this  
721 subsection. Such offset may be taken by any transferee only against the  
722 transferee's premium tax liability to this state under chapter 207. The  
723 Commissioner of Revenue Services shall not allow such offset to a  
724 transferee against its premium tax liability unless the transferor, the

725 affiliate to which the offset was originally transferred, each subsequent  
 726 transferor and each subsequent transferee have filed such information  
 727 as may be required on forms provided by said commissioner with  
 728 respect to any such transfer or transfers on or before the due date of  
 729 the premium tax return on which such offset would have been taken  
 730 by the transferor, if no transfer had been made by the transferor.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>January 1, 2002</i>
Sec. 4	<i>July 1, 2003</i>
Sec. 5	<i>July 1, 2003</i>
Sec. 6	<i>January 1, 2002</i>
Sec. 7	<i>October 1, 2003, and applicable to sales occurring on or after said date</i>
Sec. 8	<i>October 1, 2003, and applicable to purchases occurring on or after said date</i>
Sec. 9	<i>October 1, 2003, and applicable to sales occurring on or after said date</i>
Sec. 10	<i>October 1, 2003, and applicable to sales occurring on or after said date</i>
Sec. 11	<i>from passage</i>
Sec. 12	<i>October 1, 2003, and applicable to sales occurring on or after said date</i>
Sec. 13	<i>from passage</i>
Sec. 14	<i>from passage</i>
Sec. 15	<i>July 1, 2003</i>
Sec. 16	<i>from passage</i>
Sec. 17	<i>for taxable years commencing on or after January 1, 2003</i>
Sec. 18	<i>from passage</i>
Sec. 19	<i>for calendar years commencing on or after January 1, 2001</i>

***Statement of Purpose:***

To extend the time for making an assessment regarding certain claims for refunds; to clarify that biotechnology companies were eligible for a certain tax credit carryforward effective for certain income years; to repeal provisions making roll-your-own tobacco subject to cigarette



tax; to specify the form of the required warning in ads for untaxed cigarettes; to provide successor tax liability for cigarette taxes when a cigarette distributor acquires a competitor's business; to prohibit the setting up of a separate purchasing company to purchase enumerated services on resale for a group of affiliates; to clarify that sales of meals to nursing home patients are exempt from sales tax; to make the sales tax exemption provisions for start-up fishermen similar to the provision for start-up farmers; to provide the same method for determining the tax owed on casual sales of vessels as currently exists for casual sales of motor vehicles; to modify certain Motor Fuels Tax provisions and to clarify that refunds of fuel are for miles traveled in this state; to clarify that advance tickets to "cabaret" events are exempt from Admissions Tax; to enable the publication of the names and addresses of petroleum products distributors; to provide for corresponding subtraction modifications for the bonus depreciation decoupling adopted in 2002 and to eliminate overlap with Social Security and railroad retirement benefits; to provide relief for any additional tax and interest due by a resident who had New York income for 2000 and died in the 9/11 terrorist attack and to make technical changes.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*